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DIGITAL FINANCIAL
CORPORATION

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Empowering People

2004 Annual Report

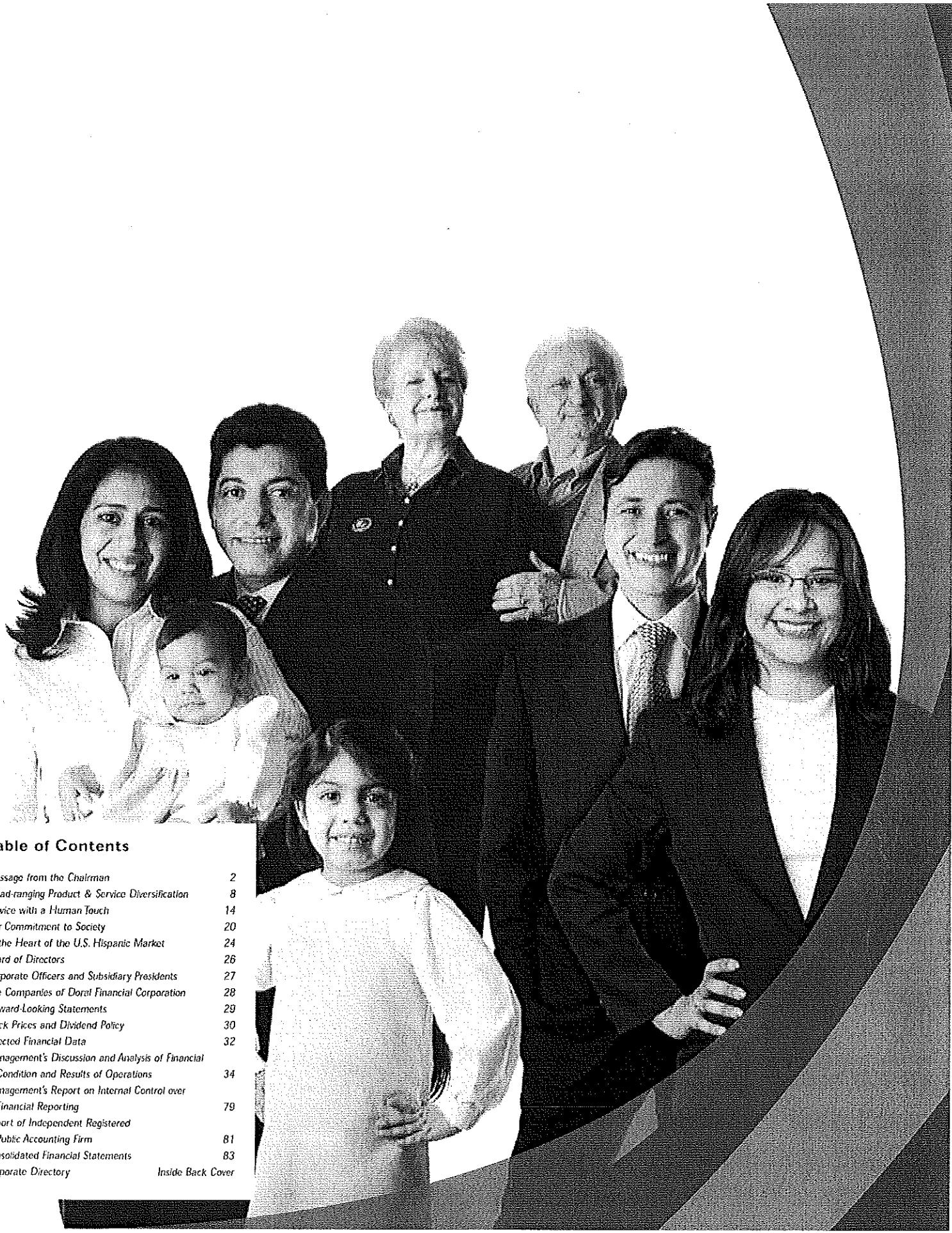


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Financial Services is not just an Industry. It is a Mission.

At Doral Financial, our mission is to empower people, to help them realize their hopes and aspirations. We help people evolve from financial constraints to prosperity, from paycheck to entrepreneurship, from rental to home ownership, from work to retirement, from the daily grind to limitless possibilities. Every customer is driven by different dreams and goals, and we are the instrument that makes it possible for them to reach their financial objectives.

Any financial institution so totally focused on helping people is by its very nature a caring and accessible organization, one that is by the same token driven to empower the people it employs as well as the people who live in the communities it serves. It's all about serving people.

That is our mission, and we deliver accordingly. The ability to turn dreams into realities and add value to the lives and livelihoods of customers, employees and communities motivates and encourages us to strive for excellence and efficiency. Service is our passion: in customer relations and in the development and delivery of the very best financial products.

At Doral Financial Corporation, the focus on service has been our guiding principle since our founding as a mortgage bank in 1972. Today, it is the engine driving a highly successful, fully diversified financial institution. Behind the remarkable profitability, impressive growth, public

recognition and the proven business model reflected in this annual report and on our website lies a rather simple strategy: treat each customer as a valued person, worthy of our best effort and complete attention. Don't give up until you find the right solution. Bend over backwards to serve every customer's needs – now and in the future.

Our definition of service sets us apart and generates the sales, earnings and shareholder value we're proud to report. It's a magnificent equation: customer + employee + social responsibility = shareholder value. The more we deliver, the greater the sum. It is an equation that has produced tremendous results.

In addition to mortgage lending, Doral Financial Corporation offers the full gamut of financial services for households and businesses, with a focus on full-service banking solutions aimed at minority and underserved markets in the United States. We operate in Puerto Rico, the second largest and most concentrated Hispanic market in the U.S., as well as in New York's multicultural communities.

Message from the Chairman



The year 2004 marked a significant milestone in the history of Doral Financial Corporation. It is the year we put in place the final pieces of our unique 10-point business model that positions Doral Financial for years of continued growth, profitability and enhanced shareholder value.

We are proud to announce that after being profitable in each of our 32 years, capped by an outstanding 2004, we have produced record-setting numbers that once again placed us among the best performing companies – not just financial institutions – in the nation.

Some highlights:

- Record earnings of \$489.6 million, up 52% from \$321.3 million posted in 2003
- Record loan production of \$7.8 billion, up 20% for the year
- Record consolidated bank assets of \$11.7 billion and consolidated deposits of \$3.6 billion at year end, up 63% and 23% for the year, respectively
- Record capital of \$2.0 billion, up 24% for the year
- Record loan servicing portfolio of \$14.3 billion, up 12% for the year
- Return on average common equity (ROE) of 38.54% for the year, and return on average assets

(ROA) of 3.85%, exceeding last year's record performance

- Record efficiency ratio of 23.1% for the year, one of the best among all banking or financial holding companies in the U.S.
- Increased dividend rate on our common stock which was increased twice during the year
- Record all time high for the price of Doral's common stock, up 53% for the year and 3,754% for the last 10 years

Our 10-Point Business Model

In the coming year, we plan to build on this record-setting, peer-best performance by energetically pursuing our 10-point business development strategy.

The strength of the model lies in three great advantages:

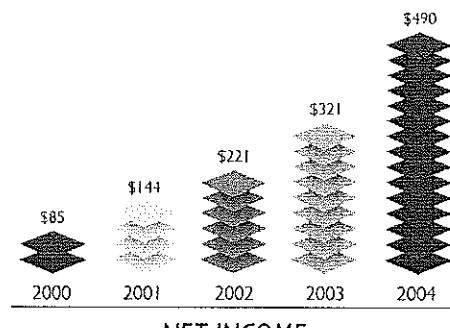
- The ability to identify and use market and economic swings in order to generate earnings growth under various market conditions.
- The ability to focus on the basics: our mission, customers, employees, products, branding, ethics (social and corporate), and shareholder value.
- The agility and flexibility to take advantage of profitable market opportunities as they occur, which keeps a mature 32-year company eternally young, dynamic and on the leading edge.

All elements of the model have been in the works for years, some since the day we first opened our doors, and they have now been fine-tuned to take Doral Financial to the next level of success.

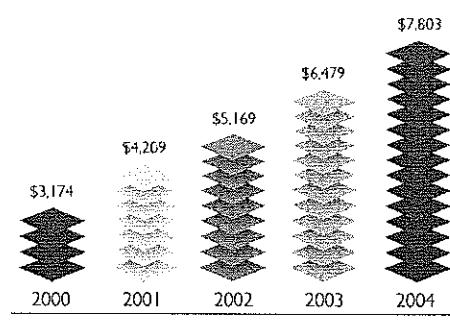
1. Diversify, diversify, diversify. This battle cry of financial planning is a centerpiece of our strategic planning. In 2004, Doral Financial completed a multi-year process of diversifying our sources of revenue with the objective of maintaining our profitability through every stage of the business cycle. In the early 90s, we expanded from mortgage banking into full-service banking. In the late 90s and early 2000s, we diversified geographically into New York. We have since added new-product subsidiaries and business units such as Doral Insurance and Doral Leasing, a division of Doral Bank-Puerto Rico. In recent years we also expanded significantly our commercial banking and construction lending businesses. The result has been continued earnings growth through the current economic environment.

2. Our service tradition. Doral Financial has built a tradition of outstanding service. We have done it by ingraining a strong service culture in our staff as well as placing branch locations as close as possible to the customer – including low-income communities of Puerto Rico and New York. Our customers also benefit from the latest technology and online Internet “branches” that make banking far more convenient and secure.

In 2004, we completed the service loop with the establishment of a customer relationship management (CRM) program that significantly enhances the identification of customer needs. The centerpiece is our state-of-the-art Contact Center, which includes 24-hour/7-day service that responds to a customer's every need by phone, online chat and e-mail. We also placed greeters in our branches and took steps to dramatically cut down waiting time there and at customer service centers and mortgage-closing locations.



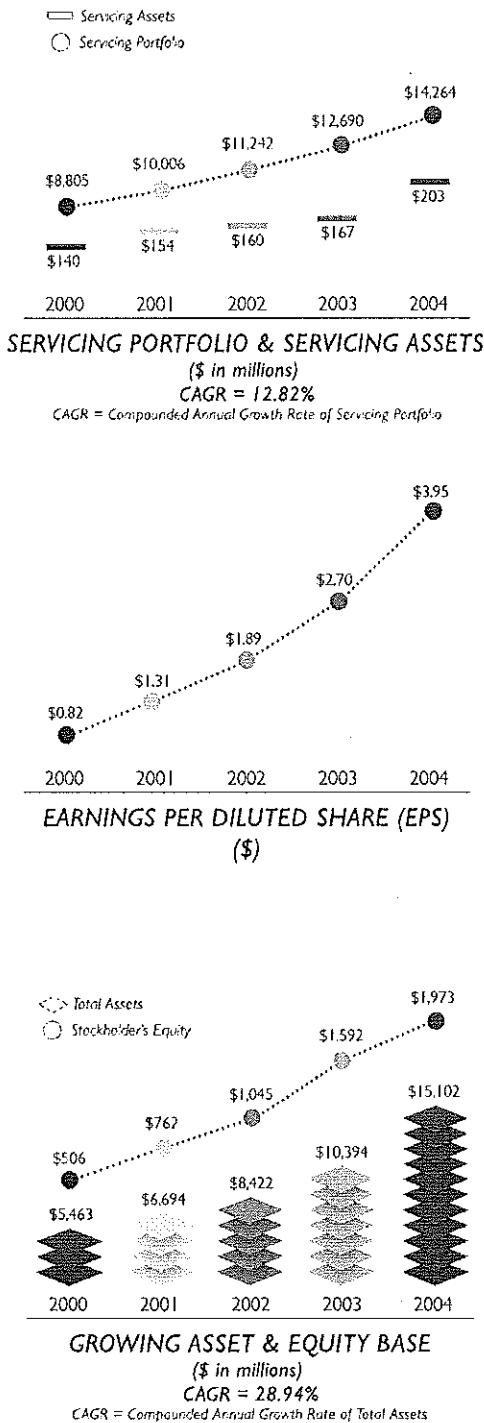
NET INCOME
(\$ in millions)
CAGR = 54.95%
CAGR = Compounded Annual Growth Rate



LOAN PRODUCTION
(\$ in millions)
CAGR = 25.22%
CAGR = Compounded Annual Growth Rate



EFFICIENCY RATIO
Efficiency Ratio = Non-interest expenses divided by net interest income plus non-interest income (excludes net gain (loss) on securities held for trading and net gain on sale of investment securities)



3. Focus on middle-market multicultural and underserved customers. We began in 1972 in what is now the second largest U.S. Hispanic market, Puerto Rico. Only the Los Angeles area has more Latinos and only Miami's Latinos are more affluent. (See page 24 for more information on Puerto Rico.)

Doral Financial, through our four mortgage banking business units, has been the dominant originator of mortgage loans on the island for more than 20 years, consistently capturing a market share of approximately 45%. Doral Bank, for its part, has become the fastest growing commercial bank in Puerto Rico. In 2004, Doral Bank's market share, measured by assets, grew to 11.9%.

Doral Financial's proven multicultural strength led us to open our first banking branch in New York City in 1999. Today we have six branches located in diverse neighborhoods, including Manhattan, where the market mix is multiethnic; Washington Heights, which is largely Dominican; Rego Park, where the concentration is Russian; and Flushing, where we serve a predominantly Chinese population. Our staff in each branch reflects the ethnic make-up of that community, as does our multilanguage marketing approach. In 2004, this highly tailored strategy took final form.

The most successful financial institutions in 2005 and beyond will be those that understand the Hispanic, minority and underserved customers, respect them as valued clients, and serve them exceedingly well.

Multicultural and underserved customers represent the fastest-growing market segment in the U.S., with almost half of all minorities in the

country still unbanked and the rest quickly increasing their purchasing power and, therefore, their potential banking relationships – all of which spells GROWTH.

4. A sales and cross-selling culture. We're driven to serve and to sell. The unique way in which we balance both objectives – with customer-centric, relationship-driven sales – is a big reason behind our market dominance in Puerto Rico and the early success of our New York operations.

We have recently raised the bar by completing a cross-selling platform begun three years ago that has increased the number of Doral Financial products held by a growing number of our new and existing customers. Nearly 70% of all successful cross-selling efforts for Doral Bank-Puerto Rico originate in the Contact Center, mainly through calls and e-mails to customers in our mortgage-servicing portfolio. In addition, most of our branches are now one-stop Doral Financial Centers, integrating several of our subsidiaries under the same roof.

A product sold to an existing customer offers a higher return than one that has to be heavily marketed to and processed for new customers. Moreover, customers who appreciate the value of having their entire banking relationship in one place, with our brand of phenomenal service, are more likely to stay with us for life and refer a higher number of friends and relatives to Doral Financial, providing a low-cost, high-return revenue stream that grows with each passing year.

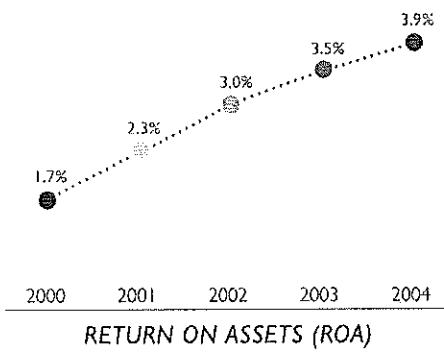
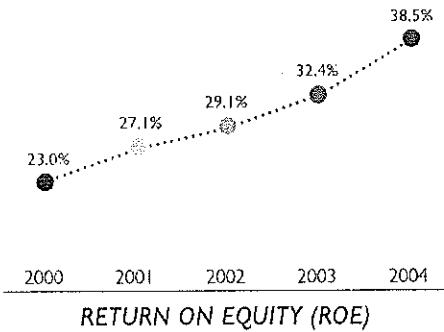
5. Human capital. In a people-oriented business where one-on-one relationships are essential, every employee matters. It is their attitude and ability that determine the success of our business,

one relationship, phone call, e-mail and branch visit at a time.

At Doral Financial, the passion for serving our customers starts with a strong internal commitment to serve the hopes and aspirations of our employees. The culture of passion toward the customer and loyalty toward the Company has been a staple of our business since the very beginning. It is built into our system, providing top-notch training and retraining, employee events, competitive compensation and a complete benefits package that recognizes and rewards our people. Slated for 2005: a child care center within the Company and a broad employee volunteer program. Already dozens of the Company's employees serve as volunteers in numerous community organizations. The new volunteer program, called *Manos* (Spanish for helping hands), seeks to organize and increase that effort.

6. Corporate responsibility – social and financial. People, whether they are customers, employees or neighbors, come first at Doral Financial. Concern for their best interests is central to our corporate social responsibility. We avoid treating people like numbers or "target groups" on whom to push our products, a business philosophy emphasized throughout the organization.

Our customers and employees are part of the same society that Doral Financial is committed to serve, in both Puerto Rico and New York. Therefore, caring about people means serving the broader social interests of those communities, a policy we achieve through significant social investment, employee volunteerism and philanthropy. It is an investment with a high return in customer and employee loyalty and brand image.



Our financial responsibility is part of the equation, the result of the same deep sense of ethics and integrity that drives our sense of social responsibility. At Doral Financial, we have always believed in the importance of good corporate governance and adherence to the highest standards of financial ethics as critical to business success.

The combination of social and corporate ethics, both contributing to a great bottom line, earned Doral Financial the distinction of being named in 2004 to the coveted list of the "100 Best Corporate Citizens in the U.S." by *Business Ethics* magazine.

7. **Conservative credit culture and underwriting.** This has been yet another pillar of our success since day one. We are conservative lenders and investors who do not take large unsecured risks but concentrate on our expertise in secured real estate lending. As such, we are relentless in seeking ways to attain a maximum return with the least exposure.

Doral Financial's assets are primarily fully secured residential mortgage loans, residential development loans in the low- to middle-income market, secured commercial real estate loans, and triple-A rated U.S. government and agency securities.

8. **Aggressive marketing.** For us marketing is not just advertising. In New York, while other banks remained passive toward attracting Chinese Americans in Flushing, we blitzed the neighborhood with carefully designed Chinese-language direct mail. In Puerto Rico, our contact center is highly active with outbound calls to current customers. Branch signs and materials are constantly updated. Promotions and contests are frequently used to generate interest and spark sales.

9. Segmented niche branding. We believe sales are maximized when products are delivered by a variety of brand vehicles. In mortgage banking, our Puerto Rico customers can choose from among four different Doral Financial mortgage banking units, each catering to a particular niche. In other financial services, we offer Doral Bank-Puerto Rico, Doral Securities, Doral Insurance and Doral Leasing. In New York, Doral Bank FSB (Doral Bank-New York) and Doral Money are active.

10. Skillful financial management. Financial services, like all businesses, are all about getting the highest return on invested capital, and that means protecting the product from undue financial risks and interest rate fluctuations. At Doral Financial, that too is part of our business model.

Outlook

We believe that our business model positions Doral Financial for continued success in 2005 and beyond. The U.S. economy has picked up steam following several years of slow growth. New York in particular has rebounded strongly from its post 9/11 doldrums, particularly among minority and underserved markets. The growing national economy has led to a boost in employment, personal income, construction, business investment, start-ups and expansions in Puerto Rico.

This means an increase in opportunities for home ownership, refinancing and second-mortgage activity to finance home improvements. It also means creating new banking relationships and opening new accounts through cross-selling and increased efforts to penetrate the pool of

unbanked populations in all markets we serve. Our business model, with its emphasis on service, sales, multiculturalism and a diversified product offering, is perfectly suited for those market opportunities.

In Puerto Rico, we expect to increase our share of the new-home market for construction and mortgage loans. We also intend to improve our market share in non-mortgage products. In New York, we plan to add several new branches and to build on that base with aggressive inroads in multifamily lending and secured commercial real estate loans.

Doral Financial has its sights set on reaching a new pinnacle of success through greater diversification of revenue sources and the other highly focused and clearly defined strategies found in our 10-point business model, all designed to increase shareholder return on investment. At the heart of that model lie our deep passion and commitment to empower people so they may realize their hopes and aspirations. We urge you to join us on this journey as we build stronger households, businesses and societies... together.



Salomón Levis

Chairman of the Board and Chief Executive Officer

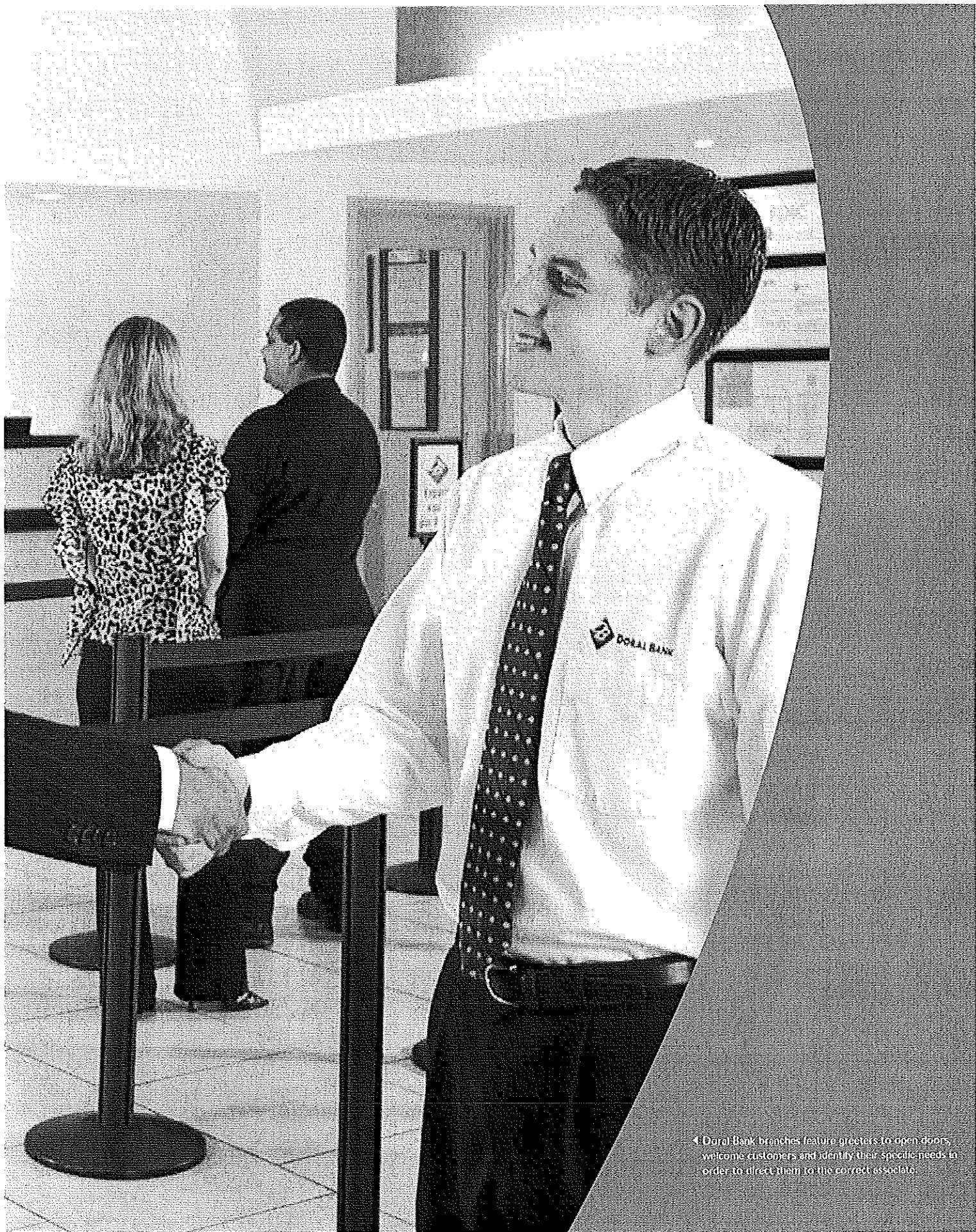


Broad-ranging Product & Service Diversification

Frank Gutierrez needed more. He already had a mortgage with us, but when he walked into one of our San Juan branches in April 2004, our customer service representative engaged him in conversation and discovered that Frank was paying high service fees on his checking accounts with another bank, did not have sufficient savings to cover possible emergencies, was underinsured given his obligations, and needed a car and a credit card during the summer for his soon-to-graduate daughter.

In short order all of his financial needs were met, thanks to Doral Financial's highly diversified product offering and outstanding service. With a single branch stop, phone call or visit to our websites, other Doral Financial customers can also realize their financial needs and aspirations. In the process, we are enhancing our company's value to the customer by cross-selling more products to generations of the same family and securing lifetime relationships.

That's what diversification is all about, and it now defines Doral Financial, which offers financial services to customers from the cradle to their golden years, including mortgage banking, retail and commercial banking, leasing and insurance. From their first checking accounts to the purchase of their first homes, to paying for their children's college education, Doral's mission and goal is to guide and serve our customers, to be their trusted and lifelong financial advisor every step of the way.



4 Doral Bank branches feature greeters to open doors, welcome customers and identify their specific needs in order to direct them to the correct associate.